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NOFORN

TREASURY FOR U/S LEVEY
STATE FOR ISN/C, EEB/TSF, NEA/IR

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TAGS: [EFIN](#) [KNNP](#) [PTER](#) [PARM](#) [EUN](#) [UNSC](#) [IR](#) [UZ](#) [FR](#)
SUBJECT: FRANCE PREPARES FURTHER ACTION AGAINST IRAN

Classified by EMIN Seth Winnick for reasons 1.4(b) and (d)

¶1. (S/NF) Summary: The GOF is preparing to require financial institutions to report all transactions with Iran, and is also examining the possibility of banning or further restricting such transactions. The Senior Elysee diplomatic advisor urged increased pressure on Iran and deferral of any negotiations until after Iran's June 2009 presidential election. End Summary.

¶2. (S/NF) On November 17, Treasury U/S Stuart Levey met with Economics Ministry Undersecretary for International Affairs Benoit Coeure, MFA Security Affairs Director Jacques Audibert and Senior Presidential Diplomatic Advisor Jean-David Levitte to discuss latest actions to pressure Iran to abandon its nuclear weapons program and support for terrorism. U/S Levey stressed the bipartisan support for putting pressure on Iran's financial networks, thus making it likely that the new administration will continue -- or even toughen -- its financial measures against Iran. He urged GOF action to halt financial transactions with Bank Mellat because of the latter's involvement in Iran's nuclear program and informed GOF officials that the USG would be adding non-financial entities such as the Swiss-registered NICO (subsidiary of the National Iranian Oil Company) to its list of companies owned by the Government of Iran. He proposed that the GOF follow the U.S. example and treat Iranian government-owned companies located outside Iran the same as other Iranian government entities.

Measures Being Considered to Implement FATF

¶3. (S/NF) Stating that "U.S. forcefulness has been very helpful to us in convincing our partners to do more on Iran" Economics U/S-equivalent Benoit Coeure said continuity on U.S. financial measures against Iran would be welcome. "We don't want to be left all alone" he said, requesting updates if there were to be any shifts in terms of tactics or instruments used. Following the October FATF communique on Iran, he said, the GOF is considering an immediate expansion of "suspicious transaction" reporting to all Iranian transactions as well as, ultimately, further restrictions or even a ban transactions with Iran. The first can be implemented rapidly by ministerial decree from the Economics Minister. The other draws on a legal provision which allows the GOF to write FATF decisions into law. This must be coordinated with all affected ministries via the MFA, and also have its constitutionality validated by the Council of State. The implementation of the FATF decision by other governments, particularly EU member state governments, could add to the comfort level. Although U/S Levey offered to explore the possibility of a joint U.S., French and British announcement of a ban on all transactions with Iran, officials at both the Economics Ministry and MFA drew attention to the fact that such a step would go much further than any previous ones against Iran and would therefore possibly need "fine-tuning." Because it is mentioned in the same FATF document, the GOF is obliged to treat Uzbekistan in the same way as Iran.

¶4. (S/NF) In reference to a separate, longer term effort, Coeure told U/S Levey that the legal framework for freezing terrorist assets in France (per FATF Special Recommendation III) is nearly in place. Legislation has been passed and the related decree has been signed. All that remains is the interministerial circular, that should be

finished within a week and submitted to the Prime Minister for approval. Under this framework, the Interior Ministry can initiate the asset freeze for a six-month period that can be renewed in consultation with the Justice Ministry.

1803 Implementation

¶15. (S/NF) Immediately following approval of the EU Common Position (EU Regulation 423) on November 10, France implemented UNSCR 1803 which requires banks to report every transaction with Bank Saderat. IRISL and Iran Air Cargo, which account for 80 percent of merchandise trade with the EU, must now declare their cargo prior to arrival in the EU. The data is being funneled to the French Financial Intelligence Unit as well as the security services. Audibert indicated that the French Presidency of the EU will convene another meeting in mid-December to consider expansion of the EU list of entities of concern. France has three or four banks, as well as IRISL and Iran Air Cargo, that it will propose in the run-up to the meeting. Although he thought two of the banks might be approved, he said he feared that one or more member states that rely heavily on maritime transport (Malta, Cyprus, Greece or even Denmark) might veto the IRISL nomination. In response to U/S Levey's recommendation to put Bank Mellat at the top of list of additions, MFA staff requested further documentation of Mellat's connections with Iranian arms industries to bolster the GOF case. U/S Levey passed additional information detailing Mellat's proliferation activities. On NICO, Economics Ministry staff said they had received bank reports, confirming that at least two French banks are treating NICO like any other Iranian entity. Coeure said it would be helpful if the U.S. added NICO to the OFAC list, which French banks use as a ready resource in identifying Iranian entities.

National Measures

¶16. (S/NF) Referring to the upcoming teleconference in early December on additional, coordinated but national measures, Audibert said that the GOF is working to expand participation beyond the U.S., UK, Germany and France, to include Canada, Japan, Netherlands and Australia. In this context, Audibert raised reports of the possible sale of Honeywell catalytic converters to the Iranian oil refining industry, via Honeywell's UK subsidiary. He reported (please protect) that in response to a French demarche on the subject the week of November 17, the UK authorities "temporized" and said "the review process is going on" with no specific commitment to block the export of the converters to Iran. U/S. Levey said he agreed that blocking the sale is very important and had raised it with the parent company in the U.S. Nevertheless, he added, it is ultimately up UK to handle the matter.

Handling Iran

¶17. (S/NF) Concerning what he saw as President-elect Obama's opportunity to possibly negotiate with the Iranians, Ambassador Levitte said it is important not to "play that trump card too soon," and certainly not before the June Presidential elections. In the mean time, the "race between the bomb and economic collapse" continues and the U.S., France and their partners should apply pressure "more than ever" to favor the latter.

¶18. (S/NF) Saudi Arabia could also be of help, he said, not only on oil markets but on driving a wedge into Syrian-Iranian relations. The GOF has been working to obtain "better Syrian behavior", including in Lebanon. Weaning the Syrians away from Iran in the coming months would be a big blow to Iran, Levitte said, but a big stumbling block is Saudi financing to Hamas and Salafist terrorists, which Syrian leaders believe include terrorist activity in Damascus. President Sarkozy will raise this when he meets with King Abdallah in Jeddah at the end of November, he said.

¶19. (U) U/S Levey cleared this message.

Stapleton